

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 SS-20 NSC-10 AID-20 CEA-02

CIAE-00 COME-00 EA-11 FRB-02 INR-10 IO-14 NEA-11

NSAE-00 RSC-01 OPIC-12 SPC-03 TRSE-00 CIEP-02 LAB-06

SIL-01 OMB-01 FTC-01 JUSE-00 SEC-03 H-03 L-03 SSO-00

NSCE-00 INRE-00 FEA-02 PA-04 PRS-01 USIE-00 DRC-01

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FM AMEMBASSY BONN

TO SECSTATE WASHDC IMMEDIATE 9877

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DEPARTMENT PASS TREASURY

E.O. 11652: N/A

TAGS: EFIN, GW

SUBJECT: FOREIGN DIRECT INVESTMENT IN USA

REF: STATE 11634

1. THE CLIMATE IN THE FRG HAS BEEN TRADITIONALLY CONDUCTIVE TO FOREIGN INVESTMENTS. WE AGREE, HOWEVER, THAT RESTRICTIVE US LEGISLATION MIGHT WELL LEAD TO A DETERIORATION IN SUCH CLIMATE, ALTHOUGH IT WOULD BE UNLIKELY TO CAUSE PRECIPITATE RETALIATORY ACTION. THE GERMANS ARE NOT AS SENSITIVE TO US INVESTMENT AS, SAY, THE CANADIANS OR FRENCH, BUT THEY ARE VERY MUCH AWARE OF US INVESTMENTS AND THE FACT THAT THE DEGREE OF US OWNERSHIP OF KEY INDUSTRIES (SUCH AS PETROLEUM) IS OFTEN QUITE HIGH.

2. TO DATE, ALMOST EVERY MENTION OF RESTRICTIVE
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LEGISLATION IN THE US, THE PATMAN BILL, FOR EXAMPLE,

HAS RECEIVED PROMPT AND EXTENSIVE COVERAGE IN THE GERMAN PRESS. OFTEN COVERAGE HAS BEEN ON THE FRONT PAGE. WE HAVE ALSO HAD PROBLEMS WITH THE APPLICATION OF US ANTI-TRUST LEGISLATION IN SPECIFIC CASES (VOLKSWAGEN IN 1972/3, FOR EXAMPLE).

3. IN THE LONG RUN, WE ANTICIPATE THAT THE GERMANS, FACED WITH CONTINUING LABOR SHORTAGES, WILL BEGIN TO EXPORT CAPITAL RATHER THAN TO IMPORT LABOR. RISING PRESSURES TO PROTECT THE ENVIRONMENT WILL COMBINE WITH RISING LABOR COSTS TO DISCOURAGE INVESTMENT IN GERMANY. IT COULD WELL BE THAT THE GOVERNMENT WILL DECIDE TO TAKE OFFICIAL ACTION BUTTRESSING THE ECONOMIC FORCES WHICH WOULD TEND TO DISCOURAGE INVESTMENT. ALTHOUGH PAST HISTORY WOULD TELL US THAT SUCH ACTION, WOULD BE ENFORCED IN A NON-DISCRIMINATORY FASHION, IT COULD CERTAINLY BE A VEHICLE FOR ACTION TO DISCOURAGE US INVESTMENT SPECIFICALLY. ALL OF THIS IS SPECULATION, HOWEVER, AND WE CONTINUE TO HOLD TO OUR POSITION THAT THE MOST LIKELY RESULT OF RESTRICTIVE US LEGISLATION WOULD BE A SLOW, BUT STEADY DETERIORATION IN THE INVESTMENT CLIMATE.
HILLENBRAND

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30 JUN 2005

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